

FORD MOTOR CO  
Form 10-Q/A  
November 17, 2006

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-3950

**FORD MOTOR COMPANY**

(Exact name of registrant as specified in its charter)

1-3950  
(Commission File Number)

38-0549190  
(IRS Employer Identification No.)

One American Road, Dearborn, Michigan  
(Address of principal executive offices)

48126  
(Zip Code)

(313) 322-3000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes                       No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer     Accelerated filer                          Non-accelerated filer                     

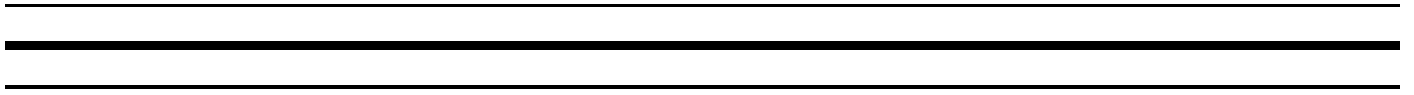
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes                                       No

As of May 2, 2006, the registrant had outstanding 1,805,099,381 shares of Common Stock and 70,852,076 shares of

Class B Stock.

Exhibit index located on page number 44.



## **EXPLANATORY NOTE**

Ford Motor Company (generally referred to herein as "Ford," "the Company", "we," "our" or "us") is filing this Quarterly Report on Form 10-Q/A for the period ended March 31, 2006 ("Amendment" or "First Quarter 2006 Form 10-Q/A Report") to amend our Quarterly Report on Form 10-Q for the period ended March 31, 2006 ("Original Filing") that was filed with the Securities and Exchange Commission ("SEC") on May 9, 2006.

In October 2006, we reviewed our application of paragraph 68 of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, and its use at our indirect wholly-owned subsidiary, Ford Motor Credit Company ("Ford Credit"). One of the general requirements of SFAS No. 133 is that hedge accounting is appropriate only for those hedging relationships that a company expects will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged. To determine whether transactions satisfy this requirement, companies must periodically assess the effectiveness of hedging relationships both prospectively and retrospectively. Paragraph 68 of SFAS No. 133 ("Paragraph 68") contains an exception from these periodic assessment requirements in the form of an "assumption of no ineffectiveness" for certain hedges of interest rate risk that involve interest rate swaps and recognized interest-bearing assets or liabilities. The exception identifies the specific requirements for the derivative and hedged items that must be met, such as a derivative fair value of zero at inception of the hedging relationship, matching maturity dates, and contemporaneous formal documentation.

Based on our review, we concluded that all of our interest rate swaps were and continue to be highly effective economic hedges; nearly all of these transactions, however, failed to meet the requirements set forth in Paragraph 68, primarily because:

- Transactions that we designated as fair value hedges involved interest rate swaps hedging the back-end of debt instruments or involved longer-than-normal settlement periods.
  - We paid or received fees when entering into a derivative contract or upon changing counterparties.
- Interest rate swaps included terms that did not exactly match the terms of the debt, including prepayment optionality.

Although we now have determined that the hedging relationships at issue in this restatement did not meet the specific criteria for an assumption of no ineffectiveness pursuant to Paragraph 68, we are precluded by SFAS No. 133 from retroactively performing full effectiveness testing in order to apply hedge accounting. Accordingly, the restated results in our Annual Report on Form 10-K/A for the year ended December 31, 2005 ("2005 Form 10-K/A Report") reflect the changes in fair value of these instruments as derivative gains and losses during the affected periods, without recording any offsetting change in the value of the debt they were economically hedging.

As a result, we have filed our 2005 Form 10-K/A Report restating certain financial information therein including: historical balance sheets as of December 31, 2005 and 2004; statements of income, cash flows and stockholders' equity for the years ending 2005, 2004, and 2003; and selected financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001.

Changes in the fair value of interest rate swaps are driven primarily by changes in interest rates. We have long-term interest rate swaps with large notional balances, many of which are "receive-fixed, pay-float" interest rate swaps. Such swaps increase in value when interest rates decline, and decline in value when interest rates rise. As a result, changes in interest rates cause substantial volatility in the fair values that must be recognized in earnings. For 2001 and 2002, when interest rates were trending lower, we have recognized large derivative gains in our restated financial data. The upward trend in interest rates from 2003 through 2005 caused our interest rate swaps to decline in value, resulting in the recognition of derivative losses for these periods.

See Note 28 of the Notes to the Financial Statements in our 2005 Form 10-K/A Report for additional information and amounts related to our restatement. In addition, this First Quarter 2006 Form 10-Q/A Report includes, in Note 2 of the Notes to the Financial Statements, restated consolidated and sector statements of income for the quarters ended March 31, 2006 and 2005, restated consolidated and sector balance sheets as of March 31, 2006 and December 31, 2005, and restated condensed consolidated and sector statements of cash flows for the quarters ended March 31, 2006 and 2005.

**Item 1. Financial Statements**

The following table sets forth a reconciliation of previously reported and restated *Net income/(loss)* for the periods shown (in millions):

	First Quarter	
	2006	2005
Previously reported	\$ (1,187)	\$ 1,212
Pre-tax adjustments:		
Fair value interest rate swaps	(331)	(572)
Out-of-period adjustments	(43)	45
Total pre-tax adjustments	(374)	(527)
Related tax effects - provision for/(benefit from)	(138)	(190)
Net after-tax adjustments	(236)	(337)
Restated	\$ (1,423)	\$ 875

Subsequent to the completion of our originally-filed financial statements for each period being restated, we identified adjustments that should have been recorded in these earlier periods. Upon identification, we determined these adjustments to be immaterial, individually and in the aggregate, to our originally-filed financial statements, and generally recognized these adjustments ("out-of-period" adjustments) in the period in which they were identified. Because the Ford Credit interest rate swap adjustment has required a restatement, we also are reversing these out-of-period adjustments and recording them in the proper periods.

The out-of-period adjustments in the table above include the following:

- Marketing incentives: We recorded out-of-period adjustments primarily to correct marketing expenses for vehicle residual values that were not reserved. As a result of these adjustments, we recognized additional pre-tax income/(loss) of \$(12) million and \$82 million in the first quarter of 2006 and 2005, respectively.
- In addition, during the affected periods, we also recorded many other less-significant out-of-period adjustments, which totaled \$(31) million and \$(37) million in the first quarter of 2006 and 2005, respectively. Nearly all of these adjustments were recorded in *Cost of sales*.

The fair value interest rate swaps adjustment resulted in decreased debt value for the debt no longer in hedge accounting relationships and also impacted deferred income taxes. This adjustment had no impact on *Cash and cash equivalents* but resulted in reclassification from *Cash flows from operating activities* to *Cash flows from investing activities* and a reclassification from *Interest expense* to *Financial Services revenues*.

For the convenience of the reader, this First Quarter Form 10-Q/A Report sets forth the Original Filing in its entirety, although we are only restating those portions of "Part I. Financial Information" affected by corrected financial information. This First Quarter Form 10-Q/A Report includes currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as well as the currently dated consent of our independent registered public accounting firm. The changes we have made are a result of and reflect the restatement described herein; no other information in the Original Filing has been updated.

We do not intend to amend previously-filed Quarterly Reports on Form 10-Q for periods ending prior to December 31, 2005. The reader should not rely on our previously-filed Quarterly Report on Form 10-Q for the periods ended March 31, 2006 and 2005, but should instead rely upon the updated financial data provided for these quarters herein.



**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****FORD MOTOR COMPANY AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF INCOME****For the Periods Ended March 31, 2006 and 2005****(in millions, except per share amounts)**

	<b>Restated—See Note 2</b>	
	<b>First Quarter</b>	
	<b>2006</b>	<b>2005</b>
	<b>(unaudited)</b>	
<b>Sales and revenues</b>		
Automotive sales	\$ 36,973	\$ 39,414
Financial Services revenues	3,828	5,481
Total sales and revenues	40,801	44,895
<b>Costs and expenses</b>		
Cost of sales	36,656	35,593
Selling, administrative and other expenses	4,603	6,094
Interest expense	2,135	2,211
Financial Services provision for credit and insurance losses	46	185
Total costs and expenses	43,440	44,083
Automotive interest income and other non-operating income/(expense), net	215	153
Automotive equity in net income/(loss) of affiliated companies	79	57
<b>Income/(loss) before income taxes</b>	<b>(2,345)</b>	<b>1,022</b>
Provision for/(benefit from) income taxes	(981)	124
<b>Income/(loss) before minority interests</b>	<b>(1,364)</b>	<b>898</b>
Minority interests in net income/(loss) of subsidiaries	59	58
<b>Income/(loss) from continuing operations</b>	<b>(1,423)</b>	<b>840</b>
Income/(loss) from discontinued operations	—	35
<b>Net income/(loss)</b>	<b>\$ (1,423)</b>	<b>\$ 875</b>

**AMOUNTS PER SHARE OF COMMON AND CLASS B STOCK****(Note 11)****Basic income/(loss)**

Income/(loss) from continuing operations	\$ (0.76)	\$ 0.46
Income/(loss) from discontinued operations	—	0.02
Net income/(loss)	\$ (0.76)	\$ 0.48

**Diluted income/(loss)**

Income/(loss) from continuing operations	\$ (0.76)	\$ 0.42
Income/(loss) from discontinued operations	—	0.02
Net income/(loss)	\$ (0.76)	\$ 0.44

<b>Cash dividends</b>	<b>\$ 0.10</b>	<b>\$ 0.10</b>
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The accompanying notes are part of the financial statements





*Item 1. Financial Statements (Continued)*

**FORD MOTOR COMPANY AND SUBSIDIARIES**

**SECTOR STATEMENT OF INCOME**  
**For the Periods Ended March 31, 2006 and 2005**  
**(in millions, except per share amounts)**

**Restated—See Note 2**  
**First Quarter**  
**2006                      2005**  
**(unaudited)**